

Report of the Executive Manager – Finance and Corporate Services

Cabinet Portfolio Holder for Finance Councillor Gordon Moore

1. Purpose of report

- 1.1. To advise the Council on progress regarding an agreement with District/Borough Councils, Nottingham City Council and the Nottinghamshire and City of Nottingham Fire & Rescue Authority in applying to become a Business Rates Retention Pilot for 2019/20. The deadline for the application being 25 September 2018.
- 1.2. A bid has been prepared and discussed under delegated authority with the Finance Portfolio Holder. This report provides information regarding the bid and also the next stages.

2. Recommendation

It is RECOMMENDED that Cabinet:

- a) Supports the agreement entered into with the seven Nottinghamshire District/Borough Councils, Nottingham City Council and the Nottinghamshire and City of Nottingham Fire and Rescue Authority to progress the bid to become a Business Rates Retention Pilot for 2019/20;
- b) There is delegated authority for the Chief Executive and Executive Manager – Finance and Corporate Services to progress the final proposal if the application is successful; and
- c) Progress regarding the bid is reported through the Council's Medium Term Financial Strategy 2019/20 to all Councillors.

3. Reasons for Recommendation

- 3.1. To demonstrate good governance in terms of scrutinising the Council's on-going financial position and delivering a sustainable Medium Term Financial Strategy.

4. Supporting Information

- 4.1. On 24 July 2018 the government issued a prospectus inviting local authorities, particularly in two tier areas, to submit applications to be pilots for the 2019/20 Business Rates Retention Scheme by 25 September 2018.

- 4.2. This will be the second year of the pilot programme. As was the case in 2018/19 the pilot will only last for one year - 2019/20 - with the aim of exploring the options for Local Government finance reforms, including promoting sustainability and promoting growth. It is anticipated that this will be the last year of such pilots. 2020/21 should see the introduction of the new 75% business rates retention and new funding basis being implemented across local government.
- 4.3. The 2018/19 prospectus was based on 100% business rates retention. In addition to the Pilot for London, 10 other authorities were successful in becoming Pilots:
- Berkshire
 - Derbyshire
 - Devon
 - Gloucestershire
 - Kent and Medway
 - Leeds
 - Lincolnshire
 - Solent
 - Suffolk
 - Surrey
- 4.4. The prospectus seeks applications for areas to form business rates pilots, either for a county area, or wider. If the application is for a whole county area, then all local authorities must be supportive. As Members will recall, the seven district and borough councils and the County Council have been in a business rates pooling arrangement since April 2013 based on the existing 50% business rates retention. To date this has seen the retention of an additional £14.6 million of business rates growth retained within the County of Nottinghamshire.
- 4.5. Applications must be received by the Ministry for Housing, Communities and Local Government by 25 September 2018, and there is an expectation that the decision will be known within the Provisional Local Government Financial Settlement, likely December 2018. It is expected that there will be around 30 applications and a small proportion of these approved.
- 4.6. For 2019/20 the pool of local authorities in the pilot will be based on 75% Business Rates Retention and would be entitled to keep all of the growth in business rates since the baseline was set in 2013. At present the government imposes a levy of 50%. Across the county area the potential gain could be £10m, albeit only for 2019/20. In addition, it will allow Nottinghamshire local authorities to influence the future development of local government funding.
- 4.7. All local authorities in Nottinghamshire are experiencing severe financial pressures due to funding reductions and increases in demand for services. A Nottinghamshire wide pilot, retaining the growth in business rates since 2013 could expect to share what is a significant gain.
- 4.8. The split of the gain between the tiers will be modelled to determine an optimum level for all authorities. The split of the growth in business rates up to

75% retention will be based upon optimising the share of total retained business rates in line with tiers' need to spend and managing the risks in relation to the proposed business rates tariffs, top-ups and safety net.

- 4.9. The authorities within the pool have had to consider and agree on the use of any gain from being a pilot (the anticipated £10m). The prospectus from the MHCLG has indicated that the applications should broadly state that the proceeds will be used for financial stability and sustainability, and also for investment in economic development.
- 4.10. The prospectus for bidding is available on the MHCLG website. The application process has several conditions and assessment criteria set by MHCLG. These are summarised in the table below:

Condition	Proposed Action/ Comment
All authorities must agree to be in the proposed business rates pilot pool for 2019/20. If any one authority in an area does not agree, then it will not succeed.	Nottinghamshire Authority Leaders, Chief Executives and Section 151 Officers have agreed to progress the bid.
Arrangements must propose a split for sharing additional pooled business rates income.	Nottinghamshire Authority Section 151 Officers to lead on modelling and agreement of the split prior to bid submission.
Proposals should show MHCLG how pilots will use additional growth to promote the financial stability and sustainability of the pilot area (and expects investment of some retained growth to encourage further growth in the area).	The existing Nottinghamshire Pool is able to demonstrate our continued joint approach to investment.
While the 2018/19 pilots have a 'no detriment' clause, the 2019/20 pilots will not benefit from such a clause, applications should detail how authorities will work together to manage risk within their proposed arrangements.	The risk of this is low for Nottinghamshire based upon business rates growth from 2013 to date. Participants to the Pilot Pool will need to understand how risk will be dealt with within the Pool. There is a 'Safety Net' of 92.5% which gives some protection to councils in both the existing Pool and the Pilot.
Pool applications must nominate the lead authority. MHCLG will treat pilot pools as one entity for business rates retention with one tariff or top up and safety net threshold.	Nottinghamshire County Council act as the lead Authority (they currently are in the existing pool arrangement).
Clear outline of the proposed pooling arrangements and governance. Authorities cannot apply to be part of more than one pilot pool. Authorities in existing Business Rates pools, such as the Nottinghamshire Pool, need to state their non-pilot pool	Nottinghamshire Authority Section 151 Officers to develop pooling and governance arrangements based on the existing Nottinghamshire Pool and the existence of the Nottinghamshire Economic Prosperity Committee. The bid will indicate that failure to succeed

proposals if the pilot application is unsuccessful.	to becoming a Pilot will fall back to the existing Nottinghamshire Pool arrangement.
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- 4.11. To summarise the activity to date – the Nottinghamshire Authority Section 151 Officers have developed financial modelling and a draft bid for a Business Rates pilot in 2019/20. The principles of this were considered and agreed at a meeting of Nottinghamshire Local Authority Chief Executives on 14 September 2018. The Nottinghamshire Authority Section 151 Officers are the signatories to the bid.
- 4.12. For expediency (deadline of 25 September 2018) the Portfolio Holder for Finance under delegated authority has approved the principles of the bid with the Council's Section 151 Officer. Further updates on the bid and final ratification are proposed to be delegated to the Chief Executive and the Council's Section 151 Officer (Executive Manager – Finance and Corporate Services). Any updates will be reported to Councillors through this year's budget setting process.

5. Alternative options considered and reasons for rejection

- 5.1. The alternative option is not to join the pilot scheme. This is not recommended for the reasons detailed in the report.

6. Risks and Uncertainties

- 6.1. The most significant risk of becoming a part of a 75% Business Rates Pilot is the removal of the 'no detriment' clause. This is a clause included in the agreement for the 2018/19 pilot authorities and ensured that those authorities would not be financially disadvantaged by being a member of the pool. This could occur if business rates had fallen since the baseline year of 2013.
- 6.2. For Nottinghamshire, this is a small risk as in most areas, and in total, business rates have grown in the period from 1 April 2013. Experience gained from the existing Nottinghamshire Pool is that by being a member of a pool, where district or boroughs have experienced a decline in business rates, the total gain within the pool has been shared so those authorities have also benefitted.

7. Implications

7.1. Financial Implications

- 7.1.1. Financial implications are covered in the body of the report particularly paragraphs 4.6 to 4.9.

7.2. Legal Implications

There are no legal implications arising from this report.

7.3. Equalities Implications

- 7.3.1. There are no equalities implications arising from this report.

7.4. Section 17 of the Crime and Disorder Act 1998 Implications

7.4.1. There are no Section 17 implications arising from this report.

7.5. Other implications

7.5.1. There are no other implications arising from this report.

8. Link to Corporate Priorities

8.1. Additional funding retained at the local level will enable the Council to better achieve its corporate priorities.

9. Recommendations

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- b) There is delegated authority for the Chief Executive and Executive Manager – Finance and Corporate Services to progress the final proposal if the application is successful; and
- c) Progress regarding the bid is reported through the Council's Medium Term Financial Strategy 2019/20 to all Councillors.

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Background papers available for Inspection:	None
List of appendices:	None

